

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

AUDIT OF THE MAYOR'S OFFICE ECONOMIC DEVELOPMENT SECTION

INTERNAL AUDIT REPORT 010106-06

October 26, 2006



October 26, 2006

Councilman Jeff Hogan
Chairman, Shreveport City Council

Dear Councilman Hogan:

Subject: IAR 010106-06 -- Audit of the Mayor's Office, Economic Development Section

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Graham, CPA, CIA
City Internal Auditor

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**EXECUTIVE SUMMARY
AUDIT OF THE
MAYOR'S OFFICE,
ECONOMIC DEVELOPMENT SECTION
INTERNAL AUDIT REPORT (IAR) 010106-06**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

Economic Development Section serves as the focal point for the economic development activities carried out by the Administration.

RECOMMENDATION EVALUATION RISK CRITERIA

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented.

<i>Risk Levels</i>	<i>Recommendations</i>
High Risk Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.	Findings 1-4 and 6-9
Medium Risk Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.	Findings 5 and 10-15
Low Risk Possibility of continuing operating inefficiencies and some low-level non-compliance issues.	None

INDEX

Executive Summary	1
Index	2
Objectives	3
Scope and Methodology	3
Background	3
Conclusions/Findings/Recommendations	3

FINDINGS

Risk Factor

I. EFFECTIVENESS OF FINANCIAL ACCOUNTABILITY

1. Inadequate Supporting Documentation.....	High.....	5
2. Improper Use of City Funds	High.....	6
3. Approval Process for Expenditure of City-Directed Funds	High.....	7
4. Reimbursements to Economic Development Advisor	High.....	8
5. Authorization for Travel/Approval of Travel Expense Statements...	Medium	9

II. OPERATIONAL ACCOUNTABILITY

6. Awarding of Grants and Sponsorships and Selection of Advertisers/Marketers Criteria	High.....	10
7. Agreement Clause for Reverting Balance of Chamber Funds To City-Directed Funds	High.....	11
8. Unusual and Questionable Accountability of City-Directed Funds ...	High.....	12
9. No Budget for City-Directed Funds Held by Shreveport Chamber of Commerce	High.....	13
10. Conflict of Interest Statement/Ethics Statement and Employee Ethics and Conflict of Interest Education	Medium.....	14
11. Operational Reporting/Prospect File Tracking	Medium.....	15
12. Duplication of Efforts between the Economic Development Advisor and Greater Shreveport Chamber Of Commerce	Medium.....	16
13. Lack of Goals and Objectives and Performance Indicators	Medium.....	17
14. Lack of Job Descriptions	Medium.....	18
15. Performance Evaluations	Medium.....	18

Appendix A

Potential Operating Objectives and Performance Indicators for Economic Development (ED) Activities

**AUDIT OF THE
MAYOR'S OFFICE,
ECONOMIC DEVELOPMENT SECTION
INTERNAL AUDIT REPORT (IAR) 010106-06**

OBJECTIVES

We have completed an audit of the Mayor's Office, Economic Development Section. The objective of this audit was to determine the economy and efficiency of operations of the Mayor's Office, Economic Development Section.

SCOPE AND METHODOLOGY

Our audit was performed in accordance with applicable generally accepted governmental auditing standards defined in Section A.20 of the Internal Audit Office Operating Instructions Manual. The scope of the study of internal control was limited to the general controls surrounding the specific issues addressed. General audit procedures included, but were not limited to, the following:

- Reviewing applicable records and documents.
- Interviewing appropriate operating personnel and management.
- Observing operations.

BACKGROUND

The Economic Development Section consists of two employees: the Economic Development Advisor (EDA) and the Office Specialist, whose combined salaries of \$112,205 and other miscellaneous expenditures are paid from the Riverfront Development Fund.

Additionally, the city contracts with the Greater Shreveport Chamber of Commerce (GSCOC) to implement a marketing program to recruit new businesses, encourage jobs growth in primary growth industries, and enhance the city's economy. Riverfront Development funds of \$200,000 are budgeted annually to finance this contract, and 50% of this amount (\$100,000) is city-directed, which is controlled principally by the Mayor's Office, Economic Development Section. We did not audit the agreement between the City and the GSCOC. We did, however, audit the city-directed expenditures of \$100,000.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

We believe the Mayor's Office, Economic Development Section should develop policies and procedures that provide for improved financial and operational accountability. Based on the results of our audit, our recommendations address the following:

- Original, itemized receipts be submitted to the GSCOC to make payments or reimbursements.
- Management study the existing controls established to ensure that funds are expended in accordance with all established laws and regulations (especially Article 7, Section 14, of The Louisiana Constitution and Revised Statute 43:111.1).
- The EDA obtain the approval from the Mayor or CAO for all expenditures related to the city-directed funds.
- All reimbursements be approved by either the Mayor or CAO and that clear guidelines are established to address the use of funds for expenditures.
- Management ensure both a request for travel form and a travel expense statement be prepared by the EDA and approved by the appropriate authority.
- Management should develop a written policy and specific criteria to govern the handling of its grants and sponsorships and selection of marketing contractor(s).
- Periodic reports be made of the city-directed fund balance.
- If the city is to maintain control of the indicated funds, tighter financial accounting controls should be implemented to verify expenditures.
- The city should prepare a detailed budget for the city-directed funds similar to the GSCOC's budget.
- Affidavit should be executed by each employee stating that each has read and is familiar with the provisions of the laws relating to governmental employee ethics and conflict of interest.
- The EDA should prepare written (financial and operational) reports at least quarterly detailing the activities of the Economic Development Section.
- Management review the efforts of both the GSCOC and the EDA and establish unique and specific goals and objectives for each entity to pursue.
- Management establish clear and concise goals and objectives and performance indicators.
- Management develop job descriptions that reflect current duties and responsibilities of employees.
- Office of the Mayor should adhere to E.O. 91-2 and utilize written performance evaluations.

This report was divided into two sections with emphasis on financial and operational reporting.

I. EFFECTIVENESS OF FINANCIAL ACCOUNTABILITY

The following findings deal with the effectiveness of the financial operations of the Economic Development Section. Therefore, they should be taken in conjunction with each other to develop an overall opinion of this area.

1. Inadequate Supporting Documentation

Background: The GSCOC handles the accounting and processing of payments for the city-directed share of the marketing funds. To receive payment for reimbursement of expenditures, the Economic Development Advisor (EDA) faxes the documents (invoices, receipts etc.) to the chamber as support for payment.

Criteria: Good internal controls dictate that all expenditures are supported by adequate and sufficient documentation. Original documents should be used to make payments and/ or reimbursements.

Condition: We examined the related supporting documentation for the expenditures of the city-directed funds for the time period January 2001 to March 2006. We noted the following deficiencies:

- Lack of detailed or itemized receipts that allow for determining whether items purchased were appropriate.
- Lack of original receipts.
- Lack of purpose for expenditures (i.e., who, what, where, when, why.)
- Lack of mileage logs.

Effect:

- Potential for fraud, waste, and abuse.
- Inappropriate or unallowable purchases/expenditures could occur.

Cause:

- Per management it was more convenient to fax receipts to the GSCOC.
- There was no requirement for detailed/itemized receipts or mileage logs to support expenses.

Recommendation: We recommend that original, itemized receipts be submitted to the GSCOC to make payments or reimbursements.

Management Plan of Action: **Agree** - The department has already begun adhering to this recommendation.

Timetable:

2. Improper Use of City Funds

Criteria: Article 7, Section 14, “Donation, Loan, or Pledge of Public Credit”, of the Louisiana Constitution prohibits the expenditure of public funds on items that may be viewed as a donation, loan, or pledge of public credit. City Ordinance Article 3 Sec. 26-53 “Donation of city funds; contracts” prohibits the donation of funds without the approval of city council and a contract. Louisiana Revised Statute 43:111.1, “Advertisements paid for with public funds, restrictions”, states “no public funds shall be used in whole or part for the payment of the cost of any advertisement containing therein the name of any public official whether elected or appointed.”

Condition: During our review, we noted the following expenditures that appeared to violate Louisiana Constitution and Revised Statute:

- \$26,000 for sponsorships and grants,
- \$4,598 for flowers for the entertainment district,
- \$410 for pins with the Mayor’s name imprinted on them (We reviewed a pin presented by management which did not include the Mayor’s name; however, the description on the invoice was misleading and or unclear as to the pin appearance.),
- \$386 for alcoholic beverages for the Mayor’s tent at a Mardi Gras parade and,
- \$267 for membership dues in a private dinner club.

Effect: Improper use of public funds in violation of Article 7, Section 14, of the Louisiana Constitution and Revised Statute 43:111.1 and City Ordinance Article 3 Sec. 26-53 “Donation of city funds; contracts.”

Cause: Management had not realized that the purchases were a violation of the state constitution and statute.

Recommendation: We recommend that:

- a. Management study the existing controls established to ensure that funds are expended in accordance with all established laws and regulations (especially Article 7, Section 14, of the Louisiana Constitution and Revised Statute 43:111.1).
- b. Identified deficiencies be corrected and corrective action be documented.

Management Plan of Action: Agree – The department will establish guidelines and criteria for future sponsorships and grants.

Explanations: The charges listed here for flowers were, more specifically, for landscaping in the Red River District, which was used as a location of filming for several television and movie projects.

Pins were ordered from the Pin Center for mayor’s promotional materials. These pins do not contain the Mayor’s name, and feature the city’s seal.

Alcoholic beverages, along with food, were purchased when the mayor was requested to host a hospitality suite for two movie production companies –“Guardian” and “Premonition” – during the city’s 2005 Mardi Gras parade.

Membership dues at the University Club were paid with the intent of hosting prospects there. After a few months, the membership was cancelled because use was infrequent.

Timetable:

3. Approval Process for Expenditure of City-Directed Funds

Criteria: Upper management should be aware of all transactions involving the expenditure of all funds. Therefore, the approval process should include the documented approval from upper management.

Condition: We noted that the EDA approved all the city-directed expenditures (without documented approval from the mayor or CAO). This included reimbursements of approximately \$65,500 made to the EDA for travel and other expenses during the period January 2001 through March 2006. Additionally, on occasion the office specialist approved expenditure vouchers for reimbursements.

Effect:

- Potential for questioned/inappropriate expenditures. (See finding #4 “Reimbursements to Economic Development Advisor” which lists some of these questioned expenditures during the period under review.)
- Upper management unaware of transactions and related program costs.

Cause: Management had not realized that approval from higher management was needed to ensure adequate oversight for these funds.

Recommendation: We recommend that the EDA obtain the documented approval from the Mayor or CAO for all expenditures related to the city-directed funds.

Management Plan of Action: Agree – The department has already begun adhering to these recommendations.

Timetable:

4. Reimbursements to Economic Development Advisor

Criteria: In order to efficiently and effectively use the city-directed funds and achieve the Economic Development section's goals, funds should be allocated prudently.

Condition: We noted that some of the expenses reimbursed to the Economic Development Advisor (EDA) for the period of January 2001 through March 2006 was either a duplicate, questionable, or inappropriate. These expenses included: travel expenses, office supplies, prospect meals, and miscellaneous expenses. Our review of these reimbursements revealed the following:

- a. Questioned Use of Funds totaling \$3,840– The reimbursements did not appear appropriate based on the purpose (promoting economic development) of the marketing activity.
 - Office Supplies/Equipment for use in Economic Development Office \$2,160
 - Decorations and flowers for entertainment district \$1,370
 - Reimbursement for meal expense charged to Career Adventures (EDA's business) account \$124
 - Gift baskets for Mayor's office \$103 (Per EDA the invoice should have said "from the Mayor's office" instead of "for the Mayor's office", but the invoice did not indicate the recipients of the gift baskets).
 - Door Prize \$45
 - Kitchen Accessories for City's kitchen \$16
 - Meal expense for meeting between EDA and Mayor \$15
 - Cell Phone Charger \$8
- b. Duplicate Travel Expenses totaling \$724
 - Hotel rooms \$833 (EDA explained that \$173 for additional hotel deposit was for the Mayor's hotel room, therefore it was not a duplicate reimbursement hence, \$660 is the revised total.)
 - Meal and supplies expense \$64
- c. Meals and Airfare that included EDA's spouse

Effect:

- Possible negative publicity.
- Possible inefficient use of resources.
- Potential for fraud, waste, and abuse to occur.

Cause: Lack of clear guidelines for allowable expenses.

Recommendation: We recommend that all reimbursements be approved by either the Mayor or CAO and that clear guidelines are established to address the use of funds for the types of expenditures noted above.

Management Plan of Action: Purchases of office supplies and equipment were purchased to give our staff the tools necessary to produce quality materials for enticing prospective businesses to Shreveport.

The decorations and flowers refer to landscaping and improvements to the Red River District prior to the grand opening of the District in 2002.

The reimbursement to EDA was for hosting an automotive client at the University Club, where the city had no account of its own and used the EDA's personal company membership.

Gift baskets for the mayor's office were not used within the office, but sent to economic development prospects. Baskets were sometimes also used as door prizes at the city's booth at retailer conferences.

Kitchen accessories for the city kitchen were bought to replenish missing or broken silverware, where the city's kitchen is sometimes used to host lunch for clients. The cell phone charger replaced a broken charger for the city cell phone issued to the EDA.

All duplicate expenses mentioned in this draft appear to be errors by the EDA and assistant, excluding the \$173.00 charge for a hotel deposit for the mayor, which is correct.

Meals and airfare for the spouse were verbally approved by the Mayor, as the necessary travel was brought up during the vacation of the EDA and spouse, and required personal expense on the part of the EDA.

Timetable:

5. Authorization for Travel/Approval of Travel Expense Statements

Criteria: In order to help ensure travel activities accomplish the objectives of the organization, all travel should be properly approved by the appropriate authority, preferably via a travel request form which estimates the cost of the trip and helps management in budgeting for this function. In addition, a travel expense statement should be prepared at the conclusion of all authorized travel and approved by the appropriate authority. The travel expense statement is a summary of expenses incurred while performing the mission of the organization.

Condition: A review of travel expenditures during the five-year audit period for the EDA revealed that neither travel request forms nor travel expense statements were prepared.

Effect: Fraud, waste, and abuse could occur.

Cause: Management had not realized that a travel expense statement should be prepared for expenses during the accomplishment of the mission of the Economic Development office.

Recommendation: We recommend that management ensure both a request for travel form and a travel expense statement be prepared by the EDA and approved by the appropriate authority. To reduce paper work processing, the EDA may consider combining travel for a set period on one travel request/expense form to be approved by upper management.

Management Plan of Action: Agree – Travel expenditures and procedures are now following the city's policies rather than those of the Chamber of Commerce, as recommended.

Timetable:

II. OPERATIONAL ACCOUNTABILITY

The following findings deal with the administrative operations of the Economic Development Section. Collectively, the findings indicated that improvements should be made in the overall design of the control structure for the section.

6. Awarding of Grants and Sponsorships and Selection of Advertisers/Marketers Criteria

Criteria: To alleviate the appearance of favoritism, good management practice dictates that policy and criteria should be developed to govern and guide the operations of an entity.

Condition: The Economic Development Section had not developed a specific, written policy for selection and use of marketing contractor(s) for its advertising services and no criteria for awarding grants and sponsorships. Specifically, we noted that there were no:

- Intended use of funds for the sponsorships and grants,
- Objective evaluation criteria (such as technical experience, cost, staffing requirements, etc.) documented in selecting marketing advertising contractors.
- Legal basis for awarding the grant and sponsorship funds (as is required for other city donations).

For the period January 2001 through May 2006, we were able to identify expenditures totaling \$26,000 for grants and sponsorships and \$237,874 for advertising (e.g. ads, commercials, etc.)

IAR 010106-06
August 23, 2006

Effect:

- Appearance of favoritism.
- Adverse publicity.
- Foregone competitive selection.
- Funds may not be used for the intended purpose.

Cause:

- There is no legal requirement instructing management to develop policy and criteria relative to advertising/marketing service.
- Management may have failed to anticipate the perception of favoritism.

Recommendation: In order to ensure consistency and fairness, management should develop a written policy and specific criteria to govern the handling of its grants and sponsorships and selection of marketing contractor(s).

Management Plan of Action: **Agree** – The department will develop application forms to be completed by the receiving entity. Criteria for recipients will also be developed in cooperation with the City Attorney's Office.

Timetable:

7. Agreement Clause for Reverting Balance of Chamber Funds to City-Directed Funds

Criteria: Per section I.C. of the professional service agreement between the City and the GSCOC, any funds not expended during the year will remain with the Chamber to be applied to the next year's city-directed funds, to be used at the discretion of the Mayor.

Condition: We noted that unused granted funds of the Chamber and city-directed funds had been reverted to the city-directed funds resulting in estimated fund balance of approximately \$200,000 as of 1/1/06 (including the 2006 appropriation of \$100,000).

Effect:

- Expenditures could exceed their original budget allotment.
- Management unaware of the city-directed fund balance.
- Unnecessary appropriations made to fund the project due to significant fund balance.

Cause: Inadequate reporting of annual fund balances to decision-makers who make the appropriations.

Recommendation: We recommend that:

- a. Periodic reports be made of the city-directed fund balance.
- b. The balance should be taken into consideration during the appropriation for the next fiscal year.

Management Plan of Action: Agree – Periodic reports of the city’s fund balance will be made available, and the balance shall be considered for the following year’s appropriations.

Timetable:

8. Unusual and Questionable Accountability of City-Directed Funds

Background: Per the Annual Professional Service Agreement entered into with the GSCOC, approximately \$200,000 is provided in three installments to promote the city for economic development. However, \$100,000 of the \$200,000 is under the direct control of the City (EDA) even though the funds are held by the GSCOC.

Criteria: The accountability for funds dedicated to an entity or organization should be clearly delineated and logical. The ownership of any dedicated funds should be reflected in the accounting records of the organization that has legal right to them.

Condition: During the audit period, the GSCOC accounted for the city-directed funds (i.e., processed reimbursements, posted all transactions, etc.) controlled by the EDA. This is an unusual and questionable arrangement since the funds are held in the GSCOC’s bank account. Additionally, there was no measurable benefit by having this arrangement.

Effect:

- Loss of City interest income.
- Potential for adverse publicity.
- Appearance of circumventing the city’s accounting controls.
- Appearance of developing a slush fund.

Cause: Management felt that accounting for the funds in this manner ensured that the City’s economic development priorities are met while simultaneously working with the GSCOC and other economic development agencies.

Recommendation: We recommend that management consider either:

Option 1: If the city is to maintain control of the indicated funds, tighter financial accounting controls should be implemented to verify expenditures. (See Section I findings.)

Option 2: Allow the GSCOC the full use of all the funds including the city-directed funds to be used for marketing of the city.

This will help ensure all transactions related to the city-directed funds are properly posted and reported.

Management Plan of Action: Agree – The city is to maintain control of the indicated funds, implementing tighter financial accounting controls to verify expenditures.

Timetable:

9. No Budget for City-Directed Funds Held by Shreveport Chamber of Commerce

Background: Annually the Shreveport City Council approves approximately \$200,000 for marketing services (of which \$100,000 is directed by the city) to be provided by the GSCOC. One requirement in this professional service agreement is a detailed budget of the marketing funds be presented (i.e., advertising-trade journals, marketing materials, trade shows, prospect trips, black enterprise conference, competitive analysis/impact studies, editorial placement campaign, minority business expo, postage/direct mail, and regional trade shows).

Criteria: Planned expenditures should be detailed and approved in a budget. This helps management ensure that all expenditures are spent as planned.

Condition: The office of EDA has been in existence for at least five years and thus has a historical basis for preparing a budget. We noted in the agreement between the City and the GSCOC that there was not a budget for the city-directed funds, but there was an itemized budget for the funds to be used by the GSCOC. The amount of city directed funds during the audit review period was approximately \$600,000.

Effect: Potential for the misuse of funds.

Cause: Management felt that a detailed budget was not needed for the city-directed funds.

Recommendation: The city should prepare a detailed budget for the city-directed funds similar to the GSCOC's budget.

Management Plan of Action: Agree – The department will prepare a detailed budget, similar to that of the GSCOC.

Timetable:

10. Conflict of Interest Statement/Ethics Statement and Employee Ethics and Conflict of Interest Education

Background: The EDA is the owner and operator of a local temporary employment service. Therefore, it is imperative that the EDA maintain an independent position that is above suspicion in business dealings.

Criteria: The employees of the Economic Development Office are required to be in compliance with state and local laws related to governmental employee ethics and conflict of interest situations.

Condition: During our review, we could not find any evidence that employees were provided copies of the laws or were required to sign an affidavit stating they were familiar with and understand the following specific regulations relating to governmental employee ethics and conflict of interest:

- Louisiana Revised Statute (LA R.S.) 42:1101, "Governmental Ethics for Public Officers - Employees"
- Section 2-107 of the Code of Ordinances, "Code of Governmental Ethics"
- Section 16.02 of the 1978 City Charter, "Interest of City Officers and Employees in Contracts"

Effect: Existing laws and regulations may be violated.

Cause: Lack of management oversight has resulted in this weakness.

Recommendation: In order to ensure that all employees of the Economic Development Office are familiar with these regulations, we recommend that copies of these laws be provided to each employee. An affidavit should then be executed by each employee stating that each has read and is familiar with the provisions of the laws. (Specifically, this is key when considering the EDA owns and operates a local business.)

Management Plan of Action: Agree – The EDA has read many of the laws on government ethics and was briefed by one of the city attorneys in 1998. EDA has not encountered any conflicts of interest.

Timetable:

11. Operational Reporting/Prospect File Tracking

Criteria: Reports serve as a tool to provide mission, objectives, goals, and accomplishments to upper management and other interested parties. Therefore, it is imperative that a written report be prepared and dispensed to all appropriate parties.

In addition, as part of the economic development activity, the department contacts and obtains leads from businesses which are potential prospects. To project a professional and cooperative image of the City and increase the efficiency of operations, the department should maintain a system whereby information on prospects can be tracked.

Condition: The Economic Development Advisor (EDA) did not prepare written reports to document trips, accomplishments, etc. Even though management claimed that the office is highly effective and successful in the recruitment of new jobs to the area, there were no written reports to substantiate and validate these claims.

Also, the office did not maintain a tracking system of prospect files for companies desiring to locate or expand in the City of Shreveport.

Effect:

- Goals and objectives may not be accomplished.
- Upper management and other interested parties may not be informed of the entity's successes and accomplishments.
- Potential for inefficiency in performing job duties and untimely follow-up.

Cause:

- The EDA stated that oral, informal reports were made and, therefore, written reports were not necessary.
- The office had not considered the need for a tracking system of prospect files.

Recommendation: We recommend that the EDA:

- a. Prepare written (financial and operational) reports at least quarterly detailing the activities of the Economic Development Section. Financial and operational reports would help justify the existence of the office and validate the accomplishments achieved. (See finding #13.)
- b. Consider determining if the Louisiana State University - Shreveport Center for Business and Economic Research can assist in measuring the effects of the City's economic development effort on jobs, salaries, and wages of the City, and output of the City.

- c. Maintain prospect files for businesses seeking to locate or expand their operations in the City of Shreveport. Examples of documentation each file should contain include: "Prospect Data Sheet," a chronological history of activity, and other sources of information such as correspondence, notes from meetings, telephone messages, faxes, proposals, site data, etc. The Prospect Data Sheet should contain pertinent data regarding the needs of the company, the contact's name, the source of the lead (trade show, advertisement, etc.)

Management Plan of Action: Agree – The department will prepare financial and operational reports at least quarterly for validation of accomplishments.

Timetable:

12. Duplication of Efforts between the Economic Development Advisor and Greater Shreveport Chamber of Commerce

Background: One goal of GSCOC is to encourage economic growth in the metro area and surrounding parishes of northwest Louisiana. Similarly, the EDA is responsible for economic development and promotion of existing and new businesses. The EDA also serves as a liaison to civic organizations and other entities involved in and pertinent to attracting new firms to the area.

Criteria: To ensure efficient and effective operations, consolidations should be made for similar job duties and responsibilities. This will help to ensure that company recruiting efforts are coordinated and uniformed.

Condition: As indicated in the background above, the EDA and GSCOC perform similar functions and duties. Based on discussions with management and an analysis of the mission of the GSCOC and the EDA, the role of these two entities appear to be very similar. (Because the EDA has no written job description and does not prepare operational reports as noted in findings #13 and #14 within this report, it was difficult to determine the role distinctions between the two entities.)

Effect:

- Redundant efforts.
- No clear contact person/office.

Cause: Management felt that a direct liaison was needed to advise the mayor of businesses seeking opportunities and expansions.

Recommendation: We recommend that management review the efforts of both the GSCOC and the EDA and establish unique and specific goals and objectives for each entity to pursue.

Management Plan of Action: Agree in part – Efforts of the GSCOC and EDA are similar in many respects; however, many of the mayor's individuals objectives are different. There is a team approach among all of Shreveport/Bossier's governing bodies including the state and parish. City, parish and state government participation in these efforts results in our ability to provide incentives and solve issues in the effective and timely manner required by businesses.

Timetable:

13. Lack of Goals and Objectives and Performance Indicators

Criteria: In order for an organization to measure its performance as well as justify its existence and solidify its purpose it must have established goals and objectives. Furthermore, to determine the accomplishments of the goals and objectives, performance measures that closely approximate the organization's work activities should be identified.

Condition: We noted that the Economic Development section had not established:

- Specific goals and objectives and performance indicators to maintain direction and gauge its progress.
- Performance measures to gauge the effectiveness by which it was accomplishing its plans and goals. Specifically, there was no formal system in place to capture, report, and monitor workload, efficiency, and effectiveness indicators.

Effect:

- Resources may be used ineffectively and inefficiently.
- Goals and objectives may not be achieved.
- Possibly not fulfilling its mission and purpose.
- Lack of direction for the division.

Cause: There was no formal requirement for the division to identify and report workload, efficiency, and effectiveness indicators.

Recommendation: We recommend that management:

- a. Establish clear and concise goals and objectives and performance indicators. These goals should be periodically monitored for appropriateness and accomplishment. (See Appendix A for a list of potential goals and performance indicators.)
- b. Design a clear and concise system which would allow, at a minimum, reporting of the accomplishment of the goals and performance indicators to upper management and the City Council. (See finding #11.)

Management Plan of Action: Agree.

Timetable:

14. Lack of Job Descriptions

Criteria: Job descriptions serve as a formal record of major duties and responsibilities assigned to a position. Each employee should have an accurate position description that serves as a basis for recording the responsibility and accountability delegated to an employee and for measuring the employee's performance.

Condition: Accurate job descriptions were not available for the employees of the Economic Development Section.

Effect:

- Employees may not be aware of what is expected of them and in what way their performance may be deficient.
- Incomplete basis on which to evaluate employee performance.

Cause: Management felt that employees of the Mayor's Office did not need job descriptions.

Recommendation: We recommend management develop job descriptions that reflect current duties and responsibilities of employees. These job descriptions would document position responsibilities, as well as provide an objective basis on which to evaluate job performance. Additionally, the administrator and all employees should sign and date the respective job descriptions.

Management Plan of Action: Agree – Management should develop job descriptions and define expectations for performance.

Timetable:

15. Performance Evaluations

Criteria: The City Executive Order (E.O.) 91-2, "Personnel Rules for Non-Classified Employees," Section V. Performance Management, states that "... management has an obligation to provide periodic formal and written evaluations of performance."

Condition: A review of the personnel files for the Economic Development Advisor and the Office Specialist indicated the Office of the Mayor does not utilize written evaluations.

Effect:

- Lack of a documented or formal employee evaluation.
- There is no written basis for merit increases.
- Employees may be unsure of job performance.

IAR 010106-06
August 23, 2006

➤ Violation of E.O. 91-2 Section V.

Cause: The lack of written evaluations occurred because management relies on verbal communication as a basis to inform employees of job performance.

Recommendation: The Office of the Mayor should adhere to E.O. 91-2 and utilize written performance evaluations.

Management Plan of Action: Agree – Management should adhere to personnel rules and exercise written evaluations.

Timetable:

Prepared by:

Douglas W. Sanders, CIA, CFE, CGFM
Supervising Senior Auditor

Tamika Ford
Staff Auditor

Approved by:

Leanis Graham, CPA, CIA
City Internal Auditor

TF:lp

c: Mayor
 CAO
 City Attorney
 Clerk of Council
 External Auditor
 Economic Development Advisor

**Potential Operating Objectives and
Performance Indicators
for Economic Development (ED)
Activities**

Potential Operating Objectives	Performance Indicators	Areas directly or indirectly impacted by Economic Development section activities
Marketing and Business Development		Budget Amount:
Create # new primary and secondary jobs (over 5 years)	# Firms Assisted	Input measure - firms helped by ED section with economic development interests/requests
	# permanent jobs created via ED section efforts	Full-time private sector jobs that the ED section was instrumental in bringing to the City
	# temporary jobs created via ED section efforts	Construction, consulting, and other temporary jobs that still impact the economy
	# jobs retained/saved	Jobs saved from layoffs, termination, due to ED section efforts
	cost per job created/retained	Cost of all funding used per full-time job created/retained (efficiency)
	public cost per job	Cost of public funding used per full-time job created
	direct earnings per dollar spent	Earnings injected into economy per dollar spent by the ED section
	capital investment	Local economic impact of the firm's location to the area
	annualized average salary	Average salary of jobs created
	assisted salary to area average salary	Demonstrates whether firms assisted by the ED section produce higher-salaried jobs
Grow General Motors (GM), LSU Health Sciences Center (LSUHSC), and Libbey Glass	# or % of GM jobs created/saved	New jobs created or existing jobs saved from termination
	# or % of LSUHSC jobs created/saved	New jobs created or existing jobs saved from termination

IAR 010106-06
August 23, 2006

	# or % of Libbey Glass jobs created/saved	New jobs created or existing jobs saved from termination
Market City of Shreveport through the redesigned website	# Unique Website Visitors	Website's ability to draw new visitors and prospects
Downtown Development		Budget Amount:
Increase high-end retail establishments	# or % of new high-end retailers	Increase in high-end retailers
Increase sales tax revenue in target area	% or \$ increase in FY Sales tax revenue	Tax revenue in Downtown Shreveport
Decrease vacancy rates in target area	% vacant residential property	Unoccupied residential property
	% vacant commercial property	Unoccupied commercial property
	% vacant industrial property	Unoccupied industrial property
Technology Development		Budget Amount:
Increase available bio-medical incubator space	% increase in bio-medical incubator space	Positive trend in amount of available biomedical incubator space resources
Increase technology-based employment, investment and research spending	# new technology-based jobs	New jobs in technology fields
	\$ increase in technology investment	Monetary investment in technology
	\$ increase in research spending	Monetary investment in research
Research/Marketing Support		Budget Amount:
Perform additional research to identify prospects and leads within the target clusters	# new prospects and leads identified through research	Outcome of research efforts
Public Relations/Image		Budget Amount:
Broaden use of feature stories about the City's quality of life in newspapers and regional magazines	# inquiries resulting from placement of story	Impact of advertising on readers of publication
Local Image Development		Budget Amount:
Increase knowledge among residents of the City's business climate advantages as a business location and quality of life	# inquiries resulting from bus tours, website, and other City-focused programs	Impact of programs on residents knowledge of the City

Examples taken from City of Oklahoma Audit Report "Agreement for Economic Development Services," December 31, 2002.